

FY2019/20 Comprehensive Annual Financial Reporting and Associated Financial Reports

Resolution No. 2020-36



December 3rd, 2020

Independent audit conducted by Henry + Horne, LLP.
First year for Paradise Valley.

Lead partner, Brian Hemmerle, CPA, CFE.

After a **brief** overview by PV staff, Mr. Hemmerle will discuss:

- The Audit Opinion(s)
- Auditor Responsibilities
- Significant Policies
- Other Reports (AEL & SA)
- Findings
- Recommendations
- Financial Highlights



FISCAL PERFORMANCE

Impacts on FY2021 Budget

The chart below compares the *unaudited* figures presented on 09/24/2020 as a FY2021 budget update and the actual *audited* figures in the FY2020 CAFR.

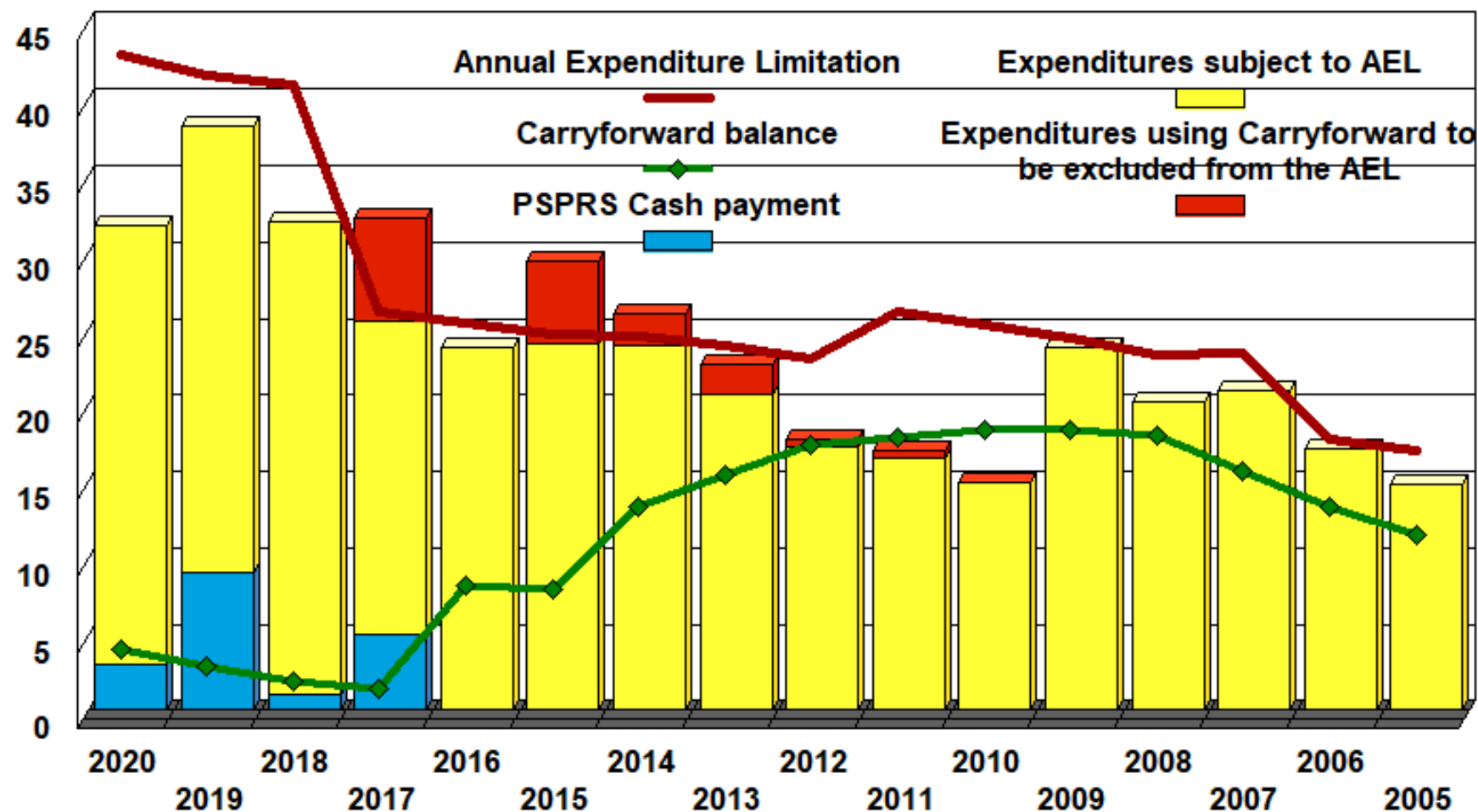
A)	"OPERATING FUND" (General Fund + HURF)	Presented 9/24/2020	Actual AUDITED	Difference	
				Amount	%
+	Total revenue	\$ 35,577,508	\$ 35,577,758	\$ (250)	0%
+	Total transfers in, net	1,500,000	1,500,000	-	0%
-	Total expenditures	23,215,538	23,215,538	-	0%
-	Total transfers out, net	7,025,321	7,025,321	-	0%
	Change in fund balance	\$6,836,649	\$6,836,899	\$ (250)	\$0

No further amendments or changes are recommended for the FY2021 budget resulting from the FY2020 audit.



Annual Expenditure Limitation

Carryforward



2016: Voter approved AEL increase (PSPRS driven)

2017: Carryforward bal. \$788,328

2018: New AEL effective; recon bond proceeds and projects

2019: Rebuild Carryforward with investments; paid \$9M to PSPRS; recalibrated CIP

2020 (Mar): Until revenues rebound, defer major road improvements and PSPRS Unfunded Liability cash payments; Private Placement to mitigate potential "bottle neck" in 2-3 yrs

2020 (June): Audit results show \$10.4M under the AEL and increased Carryforward by \$1.3 or 52% for a balance of \$3.4M.

A single year's excess capacity of the "annual" expenditure limitation is not fully carried forward to the subsequent year. Only Investment earnings, grant and other activities, as defined by statute, can be carried forward.

Reporting Changes

Included in the *Comprehensive* Annual Financial Report (“CAFR”):

- the “HURF compliance letter” and
- the “Independent Auditors’ Report on Internal Control over Financial Reporting”

Historically, these were separate reports.

Change reporting of “interfund loan” (Shown from General fund perspective):

- From: “Due from other funds” as an asset
- To: “Advance to other funds” as an asset; and under “Nonspendable” category of fund balance.
- Purpose: To better ensure fund balance isn’t spent until the advance is physically repaid.

Two changes effective next fiscal year will be discussed in the “*Observation and Recommendation*” section.

Structure & Contextual

Traditionally, the Town has one Capital Projects Fund to record all projects in the Capital Improvement Plan (“CIP”).

However, in the spirit of full disclosure, transparency and expenditure limitation monitoring purposes, management determined it better to use a separate fund to solely account for the receipt and use of the Excise tax series 2020 private placement proceeds.

Series 2020 was issued to hedge cash flows of a development agreement where the Town pays for construction costs and then invoices a developer for reimbursement; and can be used for other CIP project as reimbursements are received.

Use of these proceeds are excluded from the Annual Expenditure Limitation.



Observations and Recommendations

Components

The FY2019/20 adopted budget included an initiative to have an independent 3rd party *assess various business processes of the Town and make recommendations*.

This project would assist in the Town's Change Management and correlate to the timing of financial audits.

In March 2020 this initiative was postponed and considered a **Priority two** for the FY2020/21 budget; and was not included in the November budget amendment to ease into Priority two programs.

This project is expected to save money in the long run, but immediate needs of staff time was in other priorities.

With the hiring of a 3rd party on-hold, efforts were moved forward include, but not limited to:

- The Banking and Investment Summer Workgroup reviewed the Town's **banking services and investment policies and strategies** (follow up is in staff's workplan);
- The Mayor and Council approved Town code and Financial Management Policies amendments to **convert paper driven processes** and function in a secured electronic format; and **enhance flexibility and clarity to fiscal policies** for budget decisions; and
- Though the independent financial auditor's scope is broader, this FY2020 audit has an integral role through *observations made while conducting the audit*.
 - Auditors offered **comments and recommendations** in two areas for improving process and valuations for: **1) Court receivable; 2) Customer deposits liabilities**.
 - These recommendations will be included in the Auditor's report to the Mayor and Council; and Town Management concurs with the auditor's recommendations.

Core of the business process assessment: continuous improvement and regular review of processes. It is **not a result of dissatisfaction** or concern with the Town's current service providers, policies and practices or employee's performance.



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